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**STEEP ROCK IRON MINES
LIMITED**

ATIKOKAN, ONTARIO

Semi Annual Report

June 30, 1971

STEEP ROCK IRON MINES LIMITED

CONSOLIDATED STATEMENT OF EARNINGS

Six Months Ended June 30, 1971

(with comparative figures for 1970)

	1971	1970 (as restated)*
REVENUE - TONS	686,952	595,005
INCOME		
Gross operating revenues	\$8,166,764	\$7,054,656
Royalty and investment income	2,683,258	2,807,725
	10,850,022	9,862,381
Earnings before income taxes and extraordinary items	1,897,546	1,302,371
Income taxes	613,000	368,000
Earnings before extraordinary items	1,284,546	934,371
Extraordinary items		
Exchange gains less exchange losses (net of related tax credits at \$117,000) resulting from the unpegging of the Canadian dollar	—	1,300,112
Profit on sale of securities ...	—	544,328
Income tax credit arising from carry forward of prior years' write-offs	613,000	251,000
Net earnings for the period	\$1,897,546	\$3,029,811
PER SHARE		
Earnings before extraordinary items	\$0.16	\$0.12
Net earnings for the period ..	\$0.24	\$0.38

*The figures for the six months ended June 30, 1970 have been restated from those reported a year ago to reflect (a) the retroactive adoption of (i) the practice of making provision for depletion of mining properties and (ii) the use of the straight line method, instead of the sinking fund method, for depreciating the company's pellet plant and (b) the reflection, as an extraordinary item, of the net exchange gain resulting from the unpegging of the Canadian dollar on May 31, 1970 (which gain was recorded in the 1970 year end accounts).

(subject to audit and year-end adjustments)

STEEP ROCK IRON MINES LIMITED

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

Six Months ended June 30, 1971

(with comparative figures for 1970)

	1971	1970 (as restated)*
SOURCE OF FUNDS		
Net earnings for the period	\$1,897,546	\$3,029,811
ADD		
Depreciation	1,038,612	1,248,407
Depletion	110,810	108,989
Amortization of deferred development expenditures	547,991	573,277
Exchange adjustment relating to long term debt		(1,365,874)
Other	57,950	126,452
Total funds from operations	3,652,909	3,721,062
Sale of fixed assets	124,846	79,883
Reduction (increase) in mortgages and sales agreements receivable	(19,282)	39,637
Payments received on sale of interest in mining properties	50,000	50,000
	<u>3,808,473</u>	<u>3,890,582</u>
APPLICATION OF FUNDS		
Additions to mining properties	34,881	116,055
Additions to fixed assets and housing	572,944	951,834
Deferred development expenditures	1,347	343,994
Net increase (decrease) in deferred overburden removal expenditures	(385,211)	1,215,399
Reduction in long term debt:		
Mortgage bonds principal transferred to current liabilities	1,582,600	—
Royalty loan	744,769	683,460
Mortgages payable	22,218	18,465
Dividends	—	1,209,548
Other	185,415	175,637
	<u>2,758,963</u>	<u>4,714,392</u>
Increase (decrease) in working capital	1,049,510	(823,810)
Working capital at beginning of year	9,701,524	8,470,922
Working Capital at end of period	<u>10,751,034</u>	<u>7,647,112</u>

(subject to audit and year-end adjustments)

STEEP ROCK IRON MINES LIMITED

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TO THE SHAREHOLDERS

Pellet production for the six months was 683,000 tons, up 7,000 tons from 1970. Shipments were 687,000 tons, up 92,000 from the previous year. Shipments for the full year are expected to approximate 1,430,000 tons as compared to 1,500,764 tons for 1970, which included 47,000 tons of red ore and some 72,000 tons of pellets from previous production.

Earnings of \$1,900,000 before income taxes and extraordinary items were up \$595,000 from 1970 as re-stated.

In early July an agreement was reached with our bondholders whereby the possible impediment to dividend payment was removed. The schedule of funded debt repayment is accelerated to retire the bonds in 1981 instead of 1986. Consequently your Directors were able to declare a fifteen cent dividend, payable August 16 to shareholders of record July 28.

F. R. JONES
President

August 9, 1971